

LCDU presents biennial report, proposes rate hike

Tribune 10-28-11

by MARIAN MCMAHON

LAKE COUNTY - The Lake County Board of Commissioners was apprised of the results of the latest Lake County Department of Utilities review of operations, revenues and expenses at its Oct. 11.

"The (Lake County) Sewer Division operates two facilities: the Krohn Wastewater Plant services Mentor and Kirtland and the Madison Wastewater Plant which services eastern Lake County," said Rick Martin, director of the Lake County Department of Utilities. "Combined, these facilities average over 20 million gallons of water each day, 24 hours a day, seven days a week, 365 days a year."

The plants have 40,000 customers and serve about 100,000 people.

The operating budget is about \$30 million annually, with the plants employing 89 people.

The recently completed case study covered the term life of the various assets. Short-term assets were identified as those lasting 10 years or less such as vehicles. Assets lasting 10 to 20 years include pumps, and mechanical and electrical systems. Long-term assets include the in-ground piping, which is expected to last 50 years, plus the buildings and other structures.

Since the plants must operate 24 hours a day, the wear and tear on equipment and machinery requires regular maintenance and repair.

"Eighty-nine years ago,

April 10, 1922, the Madison Sewer District was established," Martin said. "That was a small plant down on Dock Road, right on Lake Erie, that was put up and that plant ran until 1973 when we switched over to the current Madison Wastewater Plant which is on Cashen Road now."

However, while the original plant was shut down, much of the initial sewer system is still in service.

"Fifty-three years ago, on Dec. 8, 1958, the Mentor Sewer District was established," he said.

The plant has received upgrades during the past six decades and continues to use the original piping system.

Analysis of the entire system was initiated by the Lake County Board of Commissioners in 1999.

"One of the goals that resulted from that assessment was established in 2002: a call for the utilities to provide high quality products and services at reasonable, sustainable costs to customers," Martin said. "It challenged us to treat wastewater to a level that was safe to discharge to Lake Erie."

So far, the treatment plants meet that goal 99 percent of the time.

He said the Utility Department keeps service disruptions to a minimum and provides timely responses to needs for service. They do that by working on aging infrastructure.

The department has also worked to improve efficiency and control electrical use to keep consumer costs down.

As part of those efforts,

the department is also continuously working on issues of inflow and infiltration (I&I) (storm water entering the sanitary system) which occur in an aging system.

Billing is based on a short-term and long-term approach. The department reviews needs and operations over a two-year period to determine appropriate rates, but it also does a five-year approach as well. The long-term approach reviews the past five or 10 years, but also looks forward to what could occur to affect costs. The long-term assessments are generally the ones which bring about increases.

However, when LCDU did a comparison of national rate increases versus the county, if the county followed rate increases as per the national level, rates would have been 43 percent higher.

"Instead of \$70 a quarter, it would have been a little over \$100 a quarter at this time," Martin said, adding Lake County rates were second-lowest of 16 utilities in the state.

Financial practice at the department is to hold in reserve funds for about 90 days of expenses. They review all expenses monthly and make quarterly adjustments.

"We try to stay within the budget that we present to the commissioners," Martin said. "We also have a capital contingency of \$500,000 a year."

The contingency fund allows the department to deal with emergency situations promptly, such as the excessive infiltration in the Cedar

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Glen area. Some storm water infiltration was due to leaky manholes and some came in through private laterals.

Revenues had become flat due to changes in housing and decreases in commercial use. For that reason, the last 5 percent increase enacted only raised about 1 percent of the anticipated amount.

Randy Rothlisberger, director of water, addressed the department's capital improvement program.

There is a \$7 million program in process in Kirtland, of which \$5 million will be assessed to the users.

"Two million dollars is for over-sizing for future customers," Rothlisberger said. "One that is just starting is the Madison Treatment Plant upgrade. The plant hasn't had a major upgrade since 1973."

The \$16 million project will have \$9 million in upgrades with the \$7 million balance for expansion.

"I think we're using the same philosophy as we did with the Mentor upgrade," Commissioner Dan Troy said. "The expansion is \$9 million and the cost of that expansion will be paid by tap-in fees by future users ... The \$7 million upgrade, that has to be paid for by the system."

He said he expected there would be a rate increase.

Rothlisberger said the department has spent, on average, \$2.3 million per year on repairing, improving and replacing the system's aging infrastructure for the past five years.

To keep the system functioning properly LCDU needs to continue to reduce I&I and replace or rehabilitate about 10 of the 500 miles of pipe each year. Currently, the available funding only allows for replacement of about two miles of pipe per year.

"Fortunately, the majority of our system was built in the 60s, 70s and 80s, but we're hitting that 50-year mark for a big portion of our system in the five to 10 years," Rothlisberger said.

He reviewed some of the past projects which the department had completed.

"So, the rate increase that we're going to recommend is being driven by our capital requirements, our new debt service that we just talked about, the increasing expenditures for rehab and replacement of the systems and our relatively flat revenue," Martin said. "What I recommend to the commissioners is a 4.76 percent rate increase ... That would equate to \$1.12 per month per residential household (\$70.56 to \$73.92 per quarter)."

The increase would raise

about \$550,000 per year to help upgrade the system.

Troy noted the commissioners requested the LCDU do a review every two years when they found, in 2001-2002, they learned there had been no increases in sewer rates for 15 years or more which put the department in financial jeopardy. The commissioners also asked that any increase not exceed 5 percent.

Troy also noted the LCDU did not request an increase for water this year.

Commissioner Ray Sines said some people might think the increase will pay for pay increases, but the LCDU, like the rest of county employees, have not received a pay increase in the past four years.

Martin said the LCDU could end in a deficit situation in a few years without the increase.

Troy said it was also important to maintain the wastewater system for the good of Lake Erie, to prevent untreated discharges from being pumped into the lake.

The rate increase would need to be approved by the commissioners and would take effect Dec. 1.